

Board of Trustees
Finance and Administration Committee Meeting
Thursday, April 18, 2019

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Shanztyn Nihipali	Present
Les AuCoin	Present	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Megan Davis Lightman	Present		

Chair Sheila Clough called the meeting to order at 4:00 p.m. in the DeBoer Room of the Hannon Library. Chair Clough welcomed Alexis Phillips, ASSOU President, and Dr. Lee Ayers Preboski, a HECC commissioner. Chair Clough also mentioned Vanessa Becker, a HECC commissioner, would be joining the meeting. The secretary recorded the roll and a quorum was verified.

In reviewing the agenda, Chair Clough announced that agenda items would be taken out of order to accommodate presenters' schedules.

Other attendees included: Dr. Linda Schott, President; Greg Perkinson, Vice President for Finance and Administration; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for Development; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Jason Catz, General Counsel; Josh Lovern, Budget Office; Andrew Gast, Office of Development; Deborah Lovern, Provost's Office; Lee Ayers Preboski, Undergraduate Studies and HECC; Steve Larvick, Business Services; Susan Dyssegard, Office of Finance and Administration; Johanna Pardo, ASSOU; Max Jenson; Alexis Phillips, ASSOU; Joe Mosley, Marketing and Communications; Hugues Lecomte, Campus Recreation; Anna D'Amato, Student Health and Wellness Center; Staci Buchwald, University Housing; Ryan Schnobrich, Internal Audit; Vanessa Becker, HECC; Beau Belikoff, Budget Office; Sabrina Prud'homme, Office of the Board Secretary; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Action, Information and Discussion Items

2019-20 Student Incidental Fee and Mandatory Fees (Action)

Chair Clough provided background information on the student incidental fee and mandatory fees, including the processes by which they are set and the president's and Board's role in the processes. ASSOU has a recognized process by which the student incidental fee is proposed; that fee is ready for the committee's action. The Tuition Advisory Council (TAC) provides the Board a recommendation on other mandatory fees, which are not yet ready for the committee's action. While the Board is not required to approve the housing fee and meal plans, they are brought forward to provide information on the total cost of attendance.

Greg Perkinson reviewed the mandatory fees: student incidental, student recreation center, student health services and building. ASSOU President Phillips and President Schott jointly recommend a \$15 increase in the student incidental fee, which is a 4.25 percent increase. ASSOU President Phillips said that, anticipating a decrease in enrollment and having a half-million dollar deficit, the recommended fee is the lowest amount that could be charged and still allow ASSOU to fund approved programs, build its reserve, and reduce the deficit; ASSOU is proud of the proposal.

Responding to Chair Clough's inquiry, Josh Lovern explained how the deficit arose: Like the university, ASSOU's budget was based on higher enrollment numbers but their budget did not have a quarterly checkpoint. ASSOU is looking at adjusting its process around fifth week numbers and revenues and adjusting as necessary. Jason Catz added that ASSOU is in the process of reviewing a complete overhaul of the process by which it budgets and how the fee comes to the Board. He said ASSOU should be credited not only for the hard work it has done on this year's recommendation but also with creating a better process.

Responding to Trustee Vincent's inquiry, Mr. Perkinson said the fifth week of each term is when SOU has better certainty regarding enrollment numbers and is a good time to reevaluate costs and revenue. Dr. Neil Woolf added that ASSOU was not doing those pulse checks and the fifth week is an appropriate time to reevaluate, then Student Life can work collaboratively with ASSOU on any necessary adjustments.

Mr. Perkinson said the student recreation center fee will remain flat and most of the fee pays for debt service while the rest pays for the center's operations. The leadership team for student health services assessed the center's revenues and expenses for the last year and recommended a 2 percent increase in the fee, which represents \$3 per term.

Mr. Perkinson said the building fee is a legacy fee that was defined by statute and has been \$45 per term for over two decades. In SOU's enterprise risk management assessment process, a significant risk was identified with end-of-life of network gear, the backbone of SOU's information technology (IT) infrastructure. SOU had an event a few weeks earlier that brought the system down for a short period of time; IT had a spare component from which parts were cannibalized and the system was brought back up. However, there are no spare components left. The methods other schools use to handle technology fees range from having a separate technology fee, having a technology common fund and including it as part of a building fee. Mr. Perkinson proposed handling the recapitalization of the IT infrastructure by adding \$15 per term; this would give SOU the ability to mitigate the risk and ensure a reliable IT system to support academics and students. Responding to Trustee AuCoin's inquiry, Mr. Perkinson said \$15 per term was the most he wanted to assess initially, although the bill to pay is more than this will generate. This increase gets SOU started in the right direction with some initial seed money to replace the worst first.

Responding to Chair Clough's inquiry, Mr. Perkinson said the building fee was prescribed by the Oregon University System and carried through until the independent governing boards were allowed to set the fee.

Chair Clough reiterated that ASSOU President Phillips and President Schott recommend the student incidental fee and that the student recreation center, student health services and building fees go through the TAC. Mr. Perkinson said all the fees were presented to the TAC the preceding day for situational awareness and discussion. The TAC will vote on the fees the following week.

Mr. Perkinson reviewed the various changes in housing and meal plans, as included in the meeting materials. There is a nominal bump (around 3 percent) in the room component and a decrease in the meal plans. Staci Buchwald, the Housing Director, and A'viands, worked together to roll the cost of meal plans back to a 2016 level and added a new, lower cost meal plan. Chair Clough reminded the committee members of the extensive overview Ms. Buchwald provided at a previous meeting. Responding to Trustee Vincent's inquiry regarding the increase in housing rates and the decrease in the cost of meal plans, Mr. Lovern said there is a net .68 percent increase, on average, for students living in student housing.

Chair Clough explained the choice the committee had before it. The committee could approve the student incidental fee because it has been through the appropriate process. Alternatively, the committee could postpone action on the student incidental fee until the next meeting on May 16 when tuition rates will be set. Seeing no downside to moving approval of the student incidental fee at the meeting, the committee members agreed to take action. Trustee Thorndike added that any certainty the committee could set in place at the meeting would benefit the institution and students. Trustee Lightman moved to approve the student incidental fee for recommendation to the full board. Trustee Vincent seconded the motion and it was approved unanimously.

Consent Agenda

Trustee Thorndike moved to approve the consent agenda, as presented. Trustee Franks seconded the motion and it passed unanimously.

Vice President's Report

Committee Dashboard

Greg Perkinson reviewed the financial dashboard included in the meeting materials. The good news is that Supplies & Services expenses are nearly on par with the burn rate, compared to being slightly above last month.

Mr. Perkinson said he has been working with athletics, the budget office, the controller, the Service Center, and Dr. Woolf on a methodology to understand the history, current expenses, and future forecast to better advise President Schott on a balance of transfers in and out of the Education & General fund for athletics. He will show the committee the outcome of that work in a future meeting.

Other General Updates

Mr. Perkinson summarized the discussions from the last HECC meeting. He said the chair gave a summary of the 10-year strategic plan; President Michael Schill talked about challenges at the University of Oregon; and Ben Cannon talked about dialogue with the Ways and Means Committee. Mr. Perkinson said he and Jim Pinkard discussed the HECC's tuition criteria evaluation and whether there will be a standardization of the financial review or if it would be unique to each institution. Mr.

Pinkard said the HECC would focus on the uniqueness of each institution as it made its assessment.

Responding to Trustee Lightman's inquiry, Mr. Perkinson said none of the universities are meeting all five of the HECC's financial ratios. President Schott added that SOU will have its biennial HECC review in the following year, so SOU needs to have an eye on its health in the long term not just the immediate term. President Schott stressed that SOU routinely looks out several years to see how today's decisions impact the next biennia as well as future biennia.

Action, Information and Discussion Items (Continued)

Update on Tuition and Fees for 2019-20 Academic Year

Greg Perkinson said the TAC reconvened after finals week and spring break. The meeting started with a legislative update. The TAC was reminded that timing this year is abnormal due to the legislative session. The TAC also reviewed student fees.

To get a sense of how each member felt about potential tuition increases, the TAC took a "straw poll" among the voting members present. At that time, three members supported an increase under 5 percent; three would support an increase between 5 and 7 percent; and none supported an increase of 0 percent nor over 7 percent. At the next TAC meeting, the members will review the pro forma and discuss the net effect of certain increases. Dr. Walsh later stated that the TAC members thought several recommendations on tuition increases would be appropriate.

At Chair Clough's request, Mr. Perkinson mentioned the communication plan that details efforts to get students and the rest of campus involved, and to raise awareness of the tuition setting process. This includes open forums, social media infographics, developing communication messages for students to take to Salem, and the TAC's website. Trustee Lightman acknowledged the immense effort staff has made to disseminate information and asked how students are receiving the message. ASSOU President Phillips said she did not know but that ASSOU is being intentional in its communications to avoid any miscommunications; there has been a high level of communication and the reception to that has been great. At the last open forum, a number of students were present, the students are more engaged than in previous years, and the message is being received pretty well.

Replying to Trustee AuCoin's inquiry, Mr. Catz said SOU's TAC predates House Bill 4141 but the bill provides guidance on the TAC's role in the tuition setting process. He then detailed the process the TAC will follow in making its recommendation on the tuition rate and the Board's and the HECC's roles in the process.

Update on 2019-21 State Funding

Greg Perkinson said the co-chairs of the Ways and Means Committee have identified \$40.5 million that is additive to the \$737 million of the current biennium. He said there has been no success in getting higher education added to the \$2 billion revenue package. Jeanne Stallman said the strong push to include higher education in the revenue package has helped build support for funding. Mr. Perkinson described the tuition rate increases and budget reductions some of the other universities have announced or are contemplating.

Trustee AuCoin asked for examples of the actions SOU would take if it had to make \$1 million in cuts. Dr. Susan Walsh mentioned that significant cuts were made in 2014 and further cuts would necessitate very careful conversations. President Schott added that she hoped SOU would not reach that point. Referring to the *Current Budget Reduction Matrix* in the meeting materials, with an increase of \$80 million in funding and keeping tuition at 5 percent, SOU would have to make \$3.4 million in budget cuts to retain a 10 percent ending fund balance. Such cuts would be significant for SOU. If SOU had to take that on, President Schott said her goal would be to protect the core of the institution as much as possible (e.g., academic programs and student support services), then look beyond that to identify other opportunities for doing business differently. However, cuts may have to be made to the core of the institution as well. Cuts of that magnitude would not leave SOU unharmed and may be the start of a downward spiral.

Discussion ensued on legislators' perceptions and awareness of the impact the proposed budget will have on the smaller institutions; the disparate impact of the funding formula; and transparency and accountability. Chair Clough stressed the importance of articulating the work SOU has done over the past few years to manage expenses and to be a healthy institution.

Preliminary Baseline Budget Information

Greg Perkinson and Mr. Lovern explored various scenarios using the interactive pro forma, varying tuition rate increases, levels of state funding, enrollment figures and ending fund balances.

Explaining why SOU is concerned about the ending fund balance, Chair Clough emphasized that it is not to fill the coffers at the expense of students or employees but the reality is that it helps the institution weather the storms. If an institution does not have a fund balance, it cannot weather a storm, cannot grow, cannot make strategic investments. President Schott added that SOU is very carefully making strategic investments to strengthen the financial sustainability of the institution for the long run by enhancing student success. She stressed the importance of enrollment and mentioned some of the steps SOU has taken to increase those numbers.

Future Meetings


The next regularly scheduled committee meeting will be on May 16.

Adjournment

Chair Clough adjourned the meeting at 5:45 p.m.

Date: May 16, 2019

Respectfully submitted by,



Sabrina Prud'homme
University Board Secretary